

香港特別行政區政府
The Government of the Hong Kong Special Administrative Region



一手住宅物業銷售監管局

香港柴灣利眾街 24 號
東貿廣場 31 樓 E 室

Sales of First-hand Residential
Properties Authority

Unit E, 31/F, E-trade Plaza,
24 Lee Chung Street, Chai Wan, Hong Kong

本局檔號 Our Ref. : HD 5-3/SRPA/6-20/1/2
來函檔號 Your Ref. :

電話 Tel. : 2215 6113
傳真 Fax. : 2219 2220

27 August 2024
(By Fax : 2845 0387
and By Post)

Ms Eileen TAM
Assistant Director of Practitioners Affairs
The Law Society of Hong Kong
3/F, Wing On House
71 Des Voeux Road, Central
Hong Kong

Dear Ms TAM,

Residential Properties (First-hand Sales) Ordinance
Practice Note on disclosure of relationship between vendor and the manager
appointed under the deed of mutual covenant

We write to inform the Law Society of Hong Kong ("LSHK") that the Sales of First-hand Residential Properties Authority ("SRPA") will issue a new "Practice Note on disclosure of relationship between vendor and the manager appointed under the deed of mutual covenant" ("Practice Note") (PN01/24). We attach a hard copy of the Practice Note at **Appendix** to this letter.

In view of the recommendation by the Consumer Council in the Study Report titled "Transparency and Governance - Optimising Value of Property Management Fee in Hong Kong" about the common phenomenon that the developer of residential development is affiliated with the manager of the development appointed under the deed of mutual covenant (DMC) in respect of the development, vendors are recommended to adopt the best practices set out in the Practice Note to prepare and issue a document (the Document) setting out the identity of the DMC Manager and the relationship between the DMC Manager and the vendor of the development/phase for reference by prospective purchasers when the identity of DMC Manager is available. The Document should state the

date on which it is issued and should be printed in English and Chinese. The Document should indicate whether the DMC Manager is an associated company of the vendor of the development/phase within the meaning of the Companies Ordinance (Cap. 622). If there is such a relationship, the vendor should state how it is associated with the DMC Manager. If there is no such relationship, the vendor should state that there is no such relationship.

You may wish to note that the SRPA will upload the electronic copy of the Practice Note onto the SRPA website on 4 September 2024 at the following links for reference:

English:

https://www.srpa.gov.hk/files/pdf/practice-notes/Practice_Note_on_disclosure_of_relationship_EN_2024.pdf

Traditional Chinese:

https://www.srpa.gov.hk/files/pdf/practice-notes/Practice_Note_on_disclosure_of_relationship_TC_2024.pdf

Simplified Chinese:

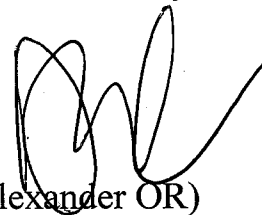
https://www.srpa.gov.hk/files/pdf/practice-notes/Practice_Note_on_disclosure_of_relationship_SC_2024.pdf

We would also issue a Reminder for the Trade and make it available on the SRPA website.

For your information, the SRPA has issued a similar letter on the above to the Real Estate Developers Association of Hong Kong, the Consumer Council, the Estate Agents Authority, the Hong Kong Institute of Architects and the Hong Kong Institute of Surveyors.

We would be grateful if LSHK can assist in bringing the above to the attention of your Members.

Yours sincerely,



(Alexander OR)

for Director,

Sales of First-hand Residential Properties Authority

Encls.

Residential Properties (First-hand Sales) Ordinance

**Practice Note on disclosure of relationship between vendor
and the manager appointed
under the deed of mutual covenant**

This Practice Note sets out the best practices recommended by the Sales of First-hand Residential Properties Authority (SRPA) (as shown in *italic* below). For the avoidance of doubt, this Practice Note does not contain any requirement as stipulated in the guidelines issued under section 88 of the Residential Properties (First-hand Sales) Ordinance (the Ordinance).

The best practices are NOT part of the guidelines.

Non-compliance with the best practices per se will not be regarded as a contravention of the Ordinance or a commission of an offence under the Ordinance.

General

1. *In 2023, the Consumer Council (CC) published the Study Report on “Transparency and Governance - Optimising Value of Property Management Fee in Hong Kong” (the Report), which revealed a common phenomenon that the developer of residential development is affiliated with the manager of the development appointed under the deed of mutual covenant (DMC) in respect of the development. Among others, CC recommended that the relationship between the developer and the manager appointed under the DMC be disclosed in sales brochure for the development.*
2. *According to the Ordinance, vendors of first-hand residential properties are required under section 19(2)(e) to set out information on the property management in the sales brochure in compliance of Part 1 of Schedule 1 to the Ordinance. Section 5 in Part 1 of Schedule 1 requires that the sales brochure must state the identity of the person appointed as the manager of the development under the*

latest draft DMC or the DMC that has been executed (DMC Manager), as the case may be. Section 23(1) of the Ordinance specifies that the sales brochure must not set out any information other than the information required or authorized by the Ordinance.

Recommended Best Practices

3. *In view of the above recommendation in the Report, vendors are recommended to prepare and issue a document (the Document) setting out the identity of DMC Manager and the relationship between the DMC Manager and the vendor of the development/phase as described in paragraph 4 below for reference by prospective purchasers when the identity of DMC Manager is available. The Document should state the date on which it is issued and should be printed in English and Chinese.*
4. *The Document should indicate whether the DMC Manager is an associated company of the vendor of the development/phase within the meaning of the Companies Ordinance (Cap. 622). If there is such a relationship, the vendor should state how it is associated with the DMC Manager. If there is no such relationship, the vendor should state that there is no such relationship. A recommended template is provided below:*

<i>The person appointed as the manager of the development/phase under the latest draft/executed deed of mutual covenant (DMC Manager)</i>	<i>Relationship between the vendor of the development/phase and the DMC Manager</i>
<i>ABC Property Management Company</i>	<i>ABC Property Management Company is a subsidiary of the vendor within the meaning of the Companies Ordinance (Cap. 622)</i> <i>or</i>

	<p><i>ABC Property Management Company is a holding company of the vendor within the meaning of the Companies Ordinance (Cap. 622)</i></p> <p><i>or</i></p> <p><i>ABC Property Management Company and the vendor are subsidiaries of XYZ Company, which is the holding company of the vendor within the meaning of the Companies Ordinance (Cap. 622)</i></p> <p><i>or</i></p> <p><i>ABC Property Management Company is not an associated company of the vendor within the meaning of Companies Ordinance (Cap. 622)</i></p> <p><i>[Note: Please choose either one of the above.]</i></p>
<p><i>[Name of the development/phase]</i></p> <p><i>Issued by [name of the vendor] on DD.MM.YYYY</i></p>	

5. *On a date of sale, vendors are recommended to make available a copy of the Document for inspection on the webpage of the website designated by the vendor for the development/phase where a copy of the executed DMC or the latest draft DMC, as the case may be, is placed as required under section 49(1) of the Ordinance. Preferably, vendors could also provide the information mentioned in paragraph 4 above in other publications or promotional materials, where appropriate, for reference by prospective purchasers.*

6. *If there are changes to the information mentioned in paragraph 4 above, the vendor should update the Document containing the information as soon as practicable, preferably within 5 working days of the change.*
7. *Vendors are encouraged to adopt the arrangements as set out in this Practice Note from 4 October 2024.*

For enquiries, please contact us via the following -

Telephone	: 2817 3313
Email	: enquiry_srpa@hd.gov.hk
Fax	: 2219 2220

Sales of First-hand Residential Properties Authority
4 September 2024